



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
PO Box 325
TRENTON, NJ 08625-0325

RICHARD J. CODEY
Acting Governor

TEL (609) 292-5350
FAX (609) 292-6765

HOLLY C. BAKKE
Commissioner

January 1, 2005

RE: Loss Reserve Opinion Required under N.J.A.C. 11:1-31.4

N.J.A.C. 11:1-31 requires that all eligible surplus lines insurers annually provide a statement of opinion by a qualified actuary, relating to its loss and loss adjustment expense reserves for all lines of business by the company, containing the information required by N.J.A.C. 11:1-21.

Based upon the filings received by the Department in prior years, it is evident that many of the loss reserve opinion statements provided by alien insurers were not in full compliance with N.J.A.C. 11:1-21. Consequently, the Department has determined that an opinion which meets the requirements of the NAIC's International Insurance Department, **and** is issued by an actuary who is a member in good standing with the International Actuarial Association and has five or more years of experience in property and casualty loss reserving, will be the acceptable New Jersey standard. This means that the financial reports for all eligible surplus lines insurers and new applicants must include an actuarial loss reserve opinion which at least meets the above noted requirements although an opinion that meets the requirements, set forth under N.J.A.C. 11:1-21 is also acceptable as well and preferred by the Department.

If there are any questions on the above, please direct them in writing to my attention with a copy to Steven Zalewitz at your earliest convenience.

Very truly yours,

Raymond Conover
Assistant Commissioner
Office of Solvency Regulations
(609) 292-5350, Ext. 50073

L:\Sections\OSR\Surplus Lines\Annual_Letters\LossReserve.doc